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March 1, 2002  
Mr. Bill Caton, Acting Secretary  
Federal Communications Commission  
The Portals  
445 Twelfth Street, S.W.  
Washington, D.C. 20554

**RECEIVED**

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: **Ex Parte Notice:** MAG Plan, CC Docket No. 00-256;  
2000 Biennial Review, CC Docket No. 01-174

Dear Mr. Caton:

Yesterday, James Frame, Vice President, Operations, and Kenneth Levy, Vice President and General Counsel, and I, all of NECA, met to discuss the attached material with the following Common Carrier Bureau staff: Carol Matthey, Deputy Bureau Chief; Katherine Schroder, Bill Scher, and Ted Burmeister of the Accounting Policy Division; and Jack Zinman and Doug Slotten of the Competitive Pricing Division. Irene Flannery, of the Universal Service Administrative Company, was also present.

NECA reiterated views expressed in the December 31, 2001 *Petition for Reconsideration and/or Clarification* filed in CC Docket No. 00-256 by NECA, the National Rural Telecom Association, the Organization for the Promotion and Advancement of Small Telecommunications Companies, and the United States Telecom Association regarding the need to revise or clarify Commission rules implementing the new Interstate Common Line Support (ICLS) mechanism.

NECA also confirmed that it has advanced its data collection efforts and that it expects to have all of the forecast information needed for calculating ICLS funding for its pool participants available to submit to USAC by the March 31, 2002 deadline specified in the Commission's rules.

In addition, Mr. Levy discussed with Ms. Matthey the need for flexibility in reforming the NECA Board election rules, reiterating matters reflected in the pleadings on record in that proceeding.

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This notice is being filed in accordance with FCC rules. Kindly make it part of the record in these proceedings, and direct any questions to me.

Sincerely,

Gina Harrison

Attachment

cc: C. Matthey  
K. Schroder  
J. Zinman  
B. Scher  
T. Burmeister  
D. Slotten  
I. Flannery-USAC

**MAG Order Petition for Reconsideration  
Interstate Common Line Support (ICLS) Implementation Issues**

**Purpose of PFR: Assure successful implementation of new ICLS fund.**

**Desired Outcomes**

- 1. Revise section 54.903 (a) (3) to include all data necessary to calculate ICLS.**
  - The current rule requires ILECs to submit cost data. The administrator also needs revenue data to calculate ICLS amounts.
- 2. Revise section 54.903 (a) (3) to permit carriers to update ICLS projections after April 10<sup>th</sup> of each year. PFR proposed requiring carriers to update ICLS projections on July 15, following effective date of annual tariff filing and approval of average schedule formulas.**
  - Current rule could result in mismatches between ICLS data projections given to USAC and annual tariff filing projections.
- 3. Revise section 54.903 (a) (4) to permit optional quarterly updates of ICLS projections prior to receipt of actual cost data.**
  - Current rule forces administrator to rely on outdated information.
  - Data needed for more frequent updates is readily available.
  - Such updates would be used by the Administrator to adjust monthly per-line payments to ILECs and CLECs in following quarter – assuring more accurate ICLS payments for all carriers on an ongoing basis.
- 4. Revise section 54.903 (a) (4) to require carriers to submit actual ICLS data for prior calendar year by December 31<sup>st</sup>, rather than July 31<sup>st</sup> as specified in rule.**
  - Most small carriers cannot complete necessary cost studies by July 31.
  - If more frequent true-ups are permitted (see item 3 above), final true-ups based on cost studies are not likely to be as significant.
  - Dec. 31<sup>st</sup> date for ICLS is consistent with LSS true-up date (§ 54.301(e)).
  - FCC could resolve concerns about extra time by specifying a mandatory projection true-up on the July 31 date.
- 5. Revise section 54.904 (d) to avoid two ICLS certification submissions within three months in 2002.**
  - Current rule imposes unnecessary administrative burdens on carriers.
- 6. Revise section 69.603 (h) (2) to state that beginning July 1, 2002, Association Category 1.B expenses shall be apportioned to study areas on a *pro rata* basis.**
  - MAG Order correctly included ICLS amounts in the rule that allocates administrative expenses to common line.
  - Rules must specify that these expenses are to be allocated among study areas; otherwise, it is not clear how they will be recovered beginning July 1, 2002.

Attachment: Proposed rule changes (from PFR).

ATTACHMENT

**Proposed Rule Changes**

**§ 54.903 Obligations of rate-of-return carriers and the Administrator.**

(a) \* \* \*

(3) Each rate-of-return carrier shall submit to the Administrator, on March 31, 2002, and annually thereafter on March 31<sup>st</sup> preliminary information needed to compute the Interstate Common Line Support amount as defined in section 54.901 of this chapter ~~calculate the Projected Annual Common Line Revenue Requirement~~ for each of its study areas in the upcoming funding year. A rate-of-return carrier's ~~projections~~ Projected Annual Common Line Revenue Requirement shall be calculated in accordance with Part 69 of this chapter. The funding year shall be July 1 of the current year through June 30 of the next year. ~~Rate-of-return carriers will be permitted to submit corrections to their projected Annual Common Line Revenue Requirement until April 10, 2002, and annually thereafter until April 10<sup>th</sup>.~~ Each rate-of-return carrier shall submit to the Administrator, on July 15, 2002, and annually thereafter on July 15<sup>th</sup>, updated information needed to compute the Interstate Common Line Support amount as defined in section 54.901 of this chapter for each of its study areas in that funding year.

(4) Each rate-of-return carrier ~~may~~ shall submit to the Administrator, on a quarterly basis July 31, 2003, and annually thereafter on July 31<sup>st</sup>, the updated carrier's common line costs and revenues as defined in part 69 of this chapter for each study area, in which it operates for the previous calendar year. Such data shall be used by the Administrator to make adjustments to monthly per-line Interstate Common Line Support amounts in the following quarter calendar year to the extent of any difference between the carrier's Projected data Annual Common Line Revenue Requirement and the carrier's updated data actual costs during the relevant period. A rate-of-return carrier shall provide the Administrator with true-up information for the previous calendar year for each study area for which it operates based on actual data no later than December 31 of the following year. A rate-of-return carrier may update the information submitted on December 31<sup>st</sup> on July 31<sup>st</sup> one or more times quarterly on a rolling year basis according to the schedule in § 36.612 of this chapter.

**§ 54.904 Carrier Certification.**

\* \* \*

(d) *Filing Deadlines.* In order for a rate-of-return carrier, and/or eligible telecommunications carrier serving lines in the service area of a rate-of-return carrier, to receive Interstate Common Line Support, such carrier must file an annual

certification, as described in subsection (b) of this section, on the date that it first files its line count information pursuant to § 54.903 of this subpart, and thereafter, beginning in 2003, on June 30<sup>th</sup> of each year.

**§ 69.603 Association Functions.**

(h) \* \* \*

(2) The revenue requirement for association tariffs filed pursuant to § 69.4(a) and (b)(2) shall not include any Association expenses other than Category I.B Expenses. Beginning July 1, 2002, Category I.B Expenses shall be apportioned to study areas on a *pro rata* basis.